

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Simmesport Housing Authority
Simmesport, Louisiana

April 23, 2002



Investigative Audit

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Daryl G. Purpera, CPA, CFE

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April 23, 2003

MR. CRAIG MOULARD
CHAIRMAN OF THE BOARD OF COMMISSIONERS
SIMMESPORT HOUSING AUTHORITY
Simmesport, Louisiana

Transmitted herewith is our investigative report of the Simmesport Housing Authority. Our examination was conducted in accordance with Title 24 of the Louisiana Revised Statutes and was performed to determine the propriety of certain allegations received by this office.

This report presents our finding and recommendations, as well as your response. Copies of this report have been delivered to the Honorable Charles Riddle, District Attorney for the Twelfth Judicial District of Louisiana, and other authorities as required by state law.

Respectfully submitted,

A handwritten signature in black ink, reading "Grover C. Austin", is positioned above the printed name.

Grover C. Austin, CPA
First Assistant Legislative Auditor

GD:DGP:ss

[SIMSPT03]

Executive Summary

Investigative Audit Report Simmesport Housing Authority

Findings *(See pages 5-9.)*

During 2002, the former Executive Director of the Simmesport Housing Authority, Derrick Moreau, submitted fraudulent invoices for reimbursement, paid himself excessive compensation not authorized by the board, paid his personal child support payments with housing authority funds, authorized payment for tractor/trailer rental and bush hogging work that was not performed, and instructed a vendor to do work on his private property and charge the costs to the housing authority. These activities involved \$41,024 of housing authority funds. In addition, the housing authority spent \$43,010 on purchases that do not appear reasonable and necessary as required by federal regulations.

Recommendations *(See page 11.)*

We recommend that the Simmesport Housing Authority Board exercise greater supervision over the day-to-day management of the housing authority. This supervision may be accomplished by the Chairman or his designee performing the following:

1. Ensuring that all checks have two, original signatures before being released. Signature stamps should not be used for signing checks.
2. Ensuring that all disbursements are:
 - Supported by original, valid invoices. Disbursements should not be made based on copies of invoices, statements, or warranty card information.
 - Reasonable and necessary for the purposes of providing decent, safe, and sanitary housing for eligible families.
 - For a public purpose. No purchase should be made for personal purposes.
 - Commensurate with the value received.
 - For goods and services that are actually received. Prior to making disbursement, the goods and/or services should be received and verified to be in acceptable condition, quantity, and quality.

3. Reviewing the positions of Executive Director and Capital Funds Coordinator and develop specific job descriptions, duties associated with each job, and compensation packages commensurate with the specific requirements of each job.

Management's Response (*See Attachment I.*)

The Simmesport Housing Authority Board accepts the Legislative Auditor's report and findings. The Board of Directors intends to implement policies and procedures to ensure that all future assets and business is conducted in the best interests of the tenants. The Simmesport Housing Authority Board will monitor all recommendations of the Legislative Auditor.

Background and Methodology

The Simmesport Housing Authority is a public corporation whose purpose is to provide decent, safe, and sanitary housing for eligible families in a manner that promotes serviceability, economy, efficiency, and stability of the projects, and the economic and social well-being of the tenants. It maintains and leases 56 low-rent housing units.

The U.S. Department of Housing and Urban Development (HUD) has the responsibility for administering low-rent housing programs. The primary source of revenue for the Simmesport Housing Authority is HUD grants. A five-member board of commissioners governs the housing authority.

The Office of the Legislative Auditor received an allegation of possible improper expenditures at the housing authority from the Office of Inspector General for HUD. The procedures performed during this investigative audit consisted of (1) interviewing employees and officials of the housing authority; (2) interviewing other persons as appropriate; (3) examining selected documents and records of the housing authority; (4) making inquiries and performing tests to the extent we considered necessary to achieve our purpose; and (5) reviewing applicable state laws.

The results of our investigative audit are the findings and recommendations herein.

Findings

During 2002, the former Executive Director of the Simmesport Housing Authority, Derrick Moreau, submitted fraudulent invoices for reimbursement, paid himself excessive compensation not authorized by the board, paid his personal child support payments with housing authority funds, authorized payment for tractor/trailer rental and bush hogging work that was not performed, and instructed a vendor to do work on his private property and charge the costs to the housing authority. These activities involved \$41,024 of housing authority funds. In addition, the housing authority spent \$43,010 on purchases that do not appear reasonable and necessary as required by federal regulations.

Duplicate Reimbursements

The Executive Director of the Simmesport Housing Authority, Mr. Derrick Moreau, was reimbursed \$20,704 for items that had been previously purchased by the housing authority. The original purchases were made from four companies--Harbor Freight Tools, Sam's, Office Depot, and Radio Shack. All of these purchases were made either with a housing authority check made payable to the company or on account at one of these companies. Following these purchases, Mr. Moreau authorized payments to himself for these same items. The payments to Mr. Moreau were generally within a few days of the original purchase.

Support for the original purchases was either receipts or account summaries for those items purchased on account. The account summaries give no indication of what items were purchased. However, purchase histories obtained from the companies clearly show that these purchases on account were identical to the detailed receipts used to support subsequent reimbursements to Mr. Moreau.

Support for the subsequent payments to Mr. Moreau was either receipts or warranty cards. The warranty cards were used to support reimbursements to Mr. Moreau for tool purchases at Harbor Freight. These same tools were on receipts used to support the original purchases from Harbor Freight. In some instances, both the receipt supporting the original purchase and the receipt supporting the subsequent reimbursement to Mr. Moreau were the same.

Questionable Expenses

Duplicate Reimbursements	\$20,704
Unauthorized Payroll	10,270
Child Support Payments	2,750
Tractor Rental/Bush Hogging	
Not Provided	5,400
AC Unit on Executive	
Director's House	1,900
Not Reasonable and Necessary	<u>43,010</u>
Total Questioned Expenses	<u>\$84,034</u>

Unauthorized Payroll

Mr. Moreau was appointed Capital Funds Coordinator for the Simmesport Housing Authority on October 10, 2001. On March 5, 2002, Mr. Moreau was appointed Executive Director of the Simmesport Housing Authority. He held both positions concurrently. The Board of Commissioners for the Simmesport Housing Authority approved both appointments and set a salary of \$6 per hour for the position of capital funds coordinator. Mr. Moreau, in his position as Executive Director, approved payments to himself as capital funds coordinator in excess of the pay authorized by the board. Where the board approved a salary of \$6 per hour, Mr. Moreau paid himself \$15 per hour and later \$16 per hour. Minutes for the Simmesport Housing Authority show no evidence that either pay raise was approved by the board. The difference between the \$6 per hour approved by the board and the pay that Mr. Moreau authorized to himself amounts to \$10,270 during 2002.

In addition, Mr. Moreau authorized four of seven separate payments to the Louisiana Department of Social Services (DSS). These payments were child support payments owed by Mr. Moreau. The total amount of these seven payments was \$2,750.

Tractor Rental/Bush Hogging Not Provided

On August 19, 2002, the Simmesport Housing Authority paid \$5,400 to John's Pop N Go. The payment was for the six-month rental of a tractor and operator, four trailer rentals, and the bush hogging of a lot. John's Pop N Go is a company owned by Richard Moreau. We were informed that Richard Moreau is Derrick Moreau's father. When shown a copy of the \$5,400 invoice from John's Pop N Go, Richard Moreau stated that he did not remember the invoice or doing any of the work detailed on the invoice. He further stated that the last time he leased a tractor to the Simmesport Housing Authority was 15 years ago. Derrick Moreau approved the payment and Richard Moreau endorsed the check.

AC Unit Installed at Executive Director's Home

Between February 2002 and July 2002, the Simmesport Housing Authority made six separate purchases of air conditioning units from Bordelon Electric. Eighteen units were purchased in total for \$66,533. According to Mr. Brian Bordelon, owner of Bordelon Electric, the following events transpired during his installation of these units. Mr. Moreau approached him and asked him to swap out an old Frigidaire unit at his home. Mr. Bordelon removed this old unit and replaced it with a new unit. At Mr. Moreau's request, he installed the old Frigidaire unit at what he understood was a rent house owned by Mr. Moreau. Mr. Moreau gave him \$300 cash and asked him to inflate the other invoices to the housing authority to make up the difference. Mr. Bordelon included excess costs on several of the housing authority invoices as Mr. Moreau had asked. Around Christmas 2002, Mr. Bordelon received a call from Mr. Moreau. Mr. Moreau asked him for a receipt for the unit he installed at Mr. Moreau's home and to say that he paid in cash if anybody asked. Mr. Bordelon created the receipt. It should be noted that

this receipt was created around the time the audit of the Simmesport Housing Authority began. The total value of the new unit installed in Mr. Moreau's home and the work installing the other unit at the rent house was approximately \$2,200. The benefit to Mr. Moreau was \$1,900 (\$2,200 - \$300). We could find no evidence that the Simmesport Housing Authority advertised and bid the purchase of these air conditioning units as required by state law.

BORDELON ELECTRIC
1523 Big Bend Road
MOREAUVILLE, LA 71355
(318) 997-2475

CUSTOMER'S ORDER NO. PHONE DATE
NAME *Dorric Moreau* 3-7-02
ADDRESS
SOLD BY CASH C.O.D. CHARGE ON ACCT. MORE RETD. PAID OUT
QTY. DESCRIPTION PRICE AMOUNT
Installed 1 4 ton 800 Volt. A/C unit + labor. *2700.00*
paid cash
3-7-02
RECEIVED BY TAX TOTAL *2700.00*
1521 All claims and returned goods MUST be accompanied by this bill **Thank You**

False Receipt Prepared at Moreau's Request

authority only had 56 units and that one computer had been sufficient prior to Mr. Moreau becoming Executive Director. The television sets, DVD players, and other items seem to be both excessive and unnecessary given the purposes of the housing authority, which is to provide decent, safe, and sanitary housing for eligible families. Mr. Moreau declined to discuss these issues with this office.

The above actions indicate possible violations of the following Louisiana Civil statutes:

- R.S. 42:1113, Contracting with Immediate Family Members¹
- R.S. 38:2212.1A.(1)(a), Violation of the Public Bid Law²

¹ **R.S. 42:1113** provides, in part, that no public servant, excluding any legislator and any appointed member of any board or commission and any member of a governing authority of a parish with a population of ten thousand or less, or member of such a public servant's immediate family, or legal entity in which he has a controlling interest shall bid on or enter into any contract, subcontract, or other transaction that is under the supervision or jurisdiction of the agency of such public servant.

² **R.S. 38:2212.1A.(1)(a)** provides, in part, that all materials or supplies exceeding the sum of fifteen thousand dollars to be paid out of public funds shall be advertised and let by contract to the lowest responsible bidder who has bid according to the specifications as advertised, and no such purchase shall be made except as provided in this Part.

In addition, this report has been provided to the District Attorney who, at his discretion, shall determine whether any individual is subject to formal charge for violation of Louisiana's criminal statutes.³

³ **R.S. 14:67** provides, in part, that theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations.

³ **R.S. 14:133** provides, in part, that filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, any forged document, any wrongfully altered document, or any document containing a false statement or false representation of a material fact.

³ **R.S. 14:134** provides, in part, that malfeasance in office is committed when any public officer or public employee shall (1) intentionally refuse or fail to perform any duty lawfully required of him, as such officer or employee; (2) intentionally perform any such duty in an unlawful manner; or (3) knowingly permit any other public officer or public employee, under his authority, to intentionally refuse or fail to perform any duty lawfully required of him or to perform any such duty in an unlawful manner.

³ **R.S. 42:1461(A)**, provides, in part, that officials, whether elected or appointed, by the act of accepting such office assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property or other thing of value belonging to the public entity in which they hold office.

Recommendations

We recommend that the Simmesport Housing Authority Board exercise greater supervision over the day-to-day management of the housing authority. This supervision may be accomplished by the Chairman or his designee performing the following:

1. Ensuring that all checks have two, original signatures before being released. Signature stamps should not be used for signing checks.
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3. Reviewing the positions of Executive Director and Capital Funds Coordinator and develop specific job descriptions, duties associated with each job, and compensation packages commensurate with the specific requirements of each job.

Attachment I

Management's Response

THE HOUSING AUTHORITY

OF THE
TOWN OF SIMMESPORT

P.O. BOX 131

SIMMESPORT, LOUISIANA 71369

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Phone: (318) 941-2806

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GROVER AUSTIN
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
P.O. BOX 94397
BATON ROUGE, LA. 710804-9397

APRIL 15, 2003

RE: LEGISLATIVE AUDIT SMMESPORT HOUSING AUHTORITY

DEAR MR. AUSTIN,


The Simmesport Housing Authority Board of Commissioners would like to express their appreciation to the Legislative Auditor for their untiring efforts to resolve this matter. You have the cooperation of the board to see this through.

The Simmesport Housing Authority Board accepts the legislative auditor's report and findings. The Board of Directors intends to implement policies and procedures to ensure all future assets and business is conducted in the best interest of the tenants. All purchases will be monitored by the board of directors and a list off all checks written will be given to the board at a regular meeting. A monthly balance of all checking accounts will be given to the board. Copies of all invoices, cash receipts and checks will be sent to the fee accountant used by the Housing Authority. We plan to implement other policies according to H.U.D. guidelines. The Simmesport Housing Board will monitor all recommendations of the Legislative Auditor.

It is the intention of the Simmesport Housing Authority Board and staff to cooperate with the Avoyelles District Attorney in resolving this matter. The board intends to seek restitution for its losses where applicable.

The staff and board of the Simmesport Housing Authority would like to convey to the Legislative Auditor and the tenants our desire to restore trust and integrity in the Housing Authority.

Sincerely,



Craig Moulard, Chairman

THE HOUSING AUTHORITY

**OF THE
TOWN OF SIMMESPORT**

P.O. BOX 131

SIMMESPORT, LOUISIANA 71389

e-mail: SMMHOUATH@Kriicket.Net

Phone: (318) 941-2806

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SPECIAL METING SIMMESPORT HOUSING AUTHORITY

April 15, 2003 6:30 P. M.

**MEMBERS PRESENT: CRAIG MOULARD , JANET LEMOINE,
JOHN WAHINGTON JR, IDA ANDERSON AND VERA WILLS**

**MOTIOM MADE TO ACCEPT LEGISLATIVE AUDITORS
REPORT BY JOHN WASHINGTON JR. SECONDED BY JANET
LEMOINE.**

**AYES: MOULARD, ANDERSON, WILLS, WASHINGTON AND
LEMOINE**

NAYS: NONE

MOTION CARRIED